BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2021-5-G ORDER NO. 2021-796

DECEMBER 3, 2021

IN RE:	Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Dominion Energy South Carolina, Incorporated (For Potential Increase or Decrease in Fuel Adjustment or Gas Adjustment)	)	ORDER ON ANNUAL REVIEW OF PURCHASED GAS ADJUSTMENT AND GAS PURCHASING POLICIES AND ADOPTING STIPULATION

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of its required annual review[1] of the Purchased Gas Adjustment ("PGA") and the Gas Purchasing Policies of Dominion Energy South Carolina, Inc. ("DESC," "Dominion," or "Company"). Dominion and the Office of Regulatory Staff ("ORS") (each a "Party" and collectively the "Parties") entered into a Stipulation ("Stipulation"), which was filed with the Commission on October 25, 2021, prior to the scheduled hearing on the merits. The Stipulation is attached as Order Exhibit No. 1.[2]

II. BACKGROUND AND PROCEDURAL HISTORY

Since 1987, the Commission annually opens a Docket for the purpose of conducting Dominion's PGA review. On June 23, 2021, the Clerk's Office set a hearing for

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[1] See Commission Order No. 87-898, issued on August 14, 1987, in Docket No. 1987-426-G related to the Company's former entity known as South Carolina Electric & Gas Company which requires that the Commission annually review the purchased gas adjustment and the gas purchasing policies of Dominion Energy South Carolina, Inc. f/k/a South Carolina Electric & Gas Company.

[2] Hearing Exhibit No. 1.

Dominion's 2021 annual PGA review. The hearing was scheduled for November 4, 2021. The Clerk's Office established prefiling testimony deadlines by issuing a Notice of Hearing and Prefile Testimony Deadlines ("Notice of Hearing"). The Notice of Hearing also set a return date for intervention.

The period under review in this present Docket is August 1, 2020 through July 31, 2021 ("Review Period"). By letter dated June 23, 2021, the Clerk's Office instructed Dominion to (i) publish the Notice of Hearing in newspapers of general circulation in the affected areas by August 27, 2021, advising all interested parties of the manner and time in which to file pleadings to obtain the right to participate in this proceeding (i.e., or to intervene) and (ii) provide proofs of publication no later than September 17, 2021, by filing the proofs with the Clerk.

The Clerk's Office further instructed Dominion to provide notification of the PGA review to each affected customer via bill inserts, or by electronic mail to those customers who have agreed to receive notices by electronic mail, on or before August 17, 2021, and to provide certification on or before September 17, 2021. The Company timely filed affidavits and proofs of publication on August 11and 12, 2021, confirming its compliance with the Clerk's Office's instructions.

III. PARTIES OF RECORD

As the natural gas utility under review, Dominion is automatically a party to the proceeding. ORS is automatically a party in this matter pursuant to S.C. Code Ann. § 58-4-10(B) (2015 & Supp. 2020). Pursuant to S. C. Code Ann. § 37-6-604(C) (2015 & Supp.

2020), the South Carolina Department of Consumer Affairs ("Consumer Affairs") was provided notice of this Docket. No persons petitioned to intervene in this matter.

Representing the Company was K. Chad Burgess, Esquire, and Matthew W. Gissendanner, Esquire. Alexander W. Knowles, Esquire, Andrew M. Bateman, Esquire, and Nicole M. Hair, Esquire, represented the ORS.

On September 22, 2021, DESC pre-filed the direct testimony of witness Greg McGlohorn and the direct testimony and exhibits of witnesses Rose M. Jackson and Rachel R. Elliott. The scheduled witnesses for ORS were Daniel F. Sullivan and Michael Seaman-Huynh, with the witnesses providing pre-filed direct testimony and exhibits on behalf of ORS on October 13, 2020. Prior to the scheduled hearing, ORS and DESC (the "Parties") filed a Stipulation addressing all matters in this docket on October 25, 2021.

The hearing on the merits was held on November 4, 2021 at 10:00 a.m., with the Honorable Justin T. Williams presiding. The Parties were given the opportunity to appear in person or remain virtual. The ORS and its witnesses appeared live, while DESC and its witnesses appeared virtually.

IV. DISCUSSION

Upon the start of the hearing by Chairman Williams, Ms. Hair moved the Stipulation into the evidence of record. The Stipulation is identified, and incorporated herein by reference, as Order Exhibit No. 1.

In support of its PGA and gas purchasing policies and the Stipulation, DESC presented direct testimony from Greg McGlohorn, Rose M. Jackson, and Rachel R. Elliott.

DESC witnesses McGlohorn, Jackson, and Elliott appeared in front of the Commission individually and each provided a summary of their testimony.

In support of its review of DESC's PGA and gas purchasing policies, ORS presented direct testimony from Daniel F. Sullivan and Michael Seaman-Huynh. ORS witnesses Sullivan and Seaman-Huynh appeared before the Commission individually and each presented a summary of their testimony.[3] Consistent with the terms of the Stipulation, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, but the Parties waived cross-examination.

DESC Witness Greg McGlohorn, General Manager of Gas Operations, is responsible for oversight of the daily operations of DESC's natural gas distribution system, including sales, engineering, construction, system planning, operations, and maintenance. He is also responsible for the overall reliability of the system, which includes ensuring that the system is capable of providing safe and reliable service to customers. DESC Witness McGlohorn Direct Testimony, p. 1, l.1 - p. 2, l.10.

Mr. McGlohorn testified about DESC's gas purchasing practices to provide an overview of the distribution system and construction projects "designed to increase the capacity, reliability, and operational flexibility of DESC's system." DESC Witness McGlohorn Direct Testimony, p. 2, ll.19-20. DESC's gas purchasing practices during the

[3] The Commission accepted the Stipulation and Exhibit as Hearing Exhibit 1, DESC witness Elliott's exhibits RRE-1 and RRE-2 as Hearing Exhibit 2, DESC witness Jackson's exhibits Corrected RMJ-1 and RMJ-2 as Hearing Exhibit 3 and ORS witness Sullivan's exhibits DFS-1 to DFS-3 as Hearing Exhibit 4.

Review Period, according to Witness McGlohorn, consist of much analysis and consideration by DESC management. For instance,

> DESC's management analyzes and considers the supply and interstate capacity assets of its business on an on-going basis in order to provide safe, reliable, and economical natural gas service in South Carolina. All of the variables related to the growth in our state and the demand on DESC's system must be balanced with corresponding supply and capacity needs.

DESC Witness McGlohorn Direct Testimony, p. 4, ll.3-7. DESC maintains that it procured reliable and reasonably priced natural gas supplies during the Review Period. DESC Witness McGlohorn Direct Testimony, p. 4, ll.7-9.

Mr. McGlohorn provided an overview of DESC's natural gas operations consisting of more than 10,500 miles of pipeline, which includes approximately 10,066 miles of distribution mains and 433 miles of transmission mains. DESC Witness McGlohorn Direct Testimony, p. 4, ll.14-16. There are more than 436,800 service lines extending from the Company distribution and transmission mains and

> pipeline facilities range in diameter from ½-inch service lines to 20-inch transmission pipe, and carry natural gas under pressures typically ranging from 25 pounds per square inch gauge ("psig") to 1,100 psig in order to deliver safe and reliable natural gas service to approximately 412,550 factories, businesses, and homes in South Carolina, as of the end of the Review Period.

DESC Witness McGlohorn Direct Testimony, p. 4, l.16 – p. 5, l.2.

DESC also owns and operates two Liquified Natural Gas ("LNG") facilities: (1) Bushy Park near North Charleston, and (2) Salley in western Orangeburg County. "The LNG facilities allow DESC to store natural gas in liquid form and revaporize it back into the pipeline when necessary. DESC primarily dispatches its LNG to help meet high demand and to serve as a backup supply of gas in emergency situations." DESC Witness McGlohorn Direct Testimony, p. 5, ll.7-10.

DESC's gas system grew by approximately 3.11% during the Review Period, which is attributable to growth in the residential customer class due to new home construction in the Company's service territory. DESC Witness McGlohorn Direct Testimony, p. 6, ll.7-10. In order to accommodate population growth, DESC has expanded its system by adding pipeline to reliably serve its customers and create operating flexibility on its system. DESC Witness McGlohorn Direct Testimony, p. 6, ll.14-16. Witness McGlohorn further testified about DESC's expansion activities to its natural gas system and DESC's projects to improve system safety, integrity, and reliability. DESC Witness McGlohorn Direct Testimony, p. 6, l.12 – p. 9, l.6.

As part of the Company's Sewer Cross-Bore Inspection Program, three intersections between the sewer system and gas lines were discovered and remediated during the Review Period. DESC Witness McGlohorn Direct Testimony, p. 9, l.7-12. Additionally, DSC has replaced vintage polyethylene 3306 "black plastic" service lines, in accordance with recommendations by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). DESC Witness McGlohorn Direct Testimony, p. 9, l.13-16. Progress was slowed due to the Covid-19 pandemic, but the Company still plans to complete the project by the end of December 2021. DESC Witness McGlohorn Direct Testimony, p. 10, l.1-2

DESC Witness Rachel R. Elliott, Manager – Regulation for Dominion Energy Services, Inc. ("DES"), manages the administration of the purchased gas adjustment

("PGA"), including the monthly forecast of commodity and demand gas cost billing rates and the monthly (over)/under collection balance calculation. DESC Witness Elliot Direct Testimony, p. 2, l.8-10. Elliot testified that each year DESC reviews the Demand Cost of Gas ("DCOG") allocation factors during the PGA proceeding and updates these factors to reflect current forecast assumptions. The DCOG allocation factors are based on a weighting of 50% forecast sales and 50% forecast peak design day demand as required by Commission Order No. 2006-679. As explained by DESC Witness Elliott, we find and conclude that the following allocation factors to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2022:

Updated Demand Cost of Gas ("DCOG") Allocation Factors	
Usage Group	**Percentage**
Residential	67.49%
Small General Service/Medium General Service ("SGS/MGS")	27.79%
Large General Service ("LGS")	4.72%
TOTAL	**100.00%**

DESC Witness Elliott Direct Testimony, p. 3, l. 18 – p. 4, l. 9. Additionally, Witness Elliott testified that the forecast peak design day demand for the upcoming 2021-2022 winter is 446,403 dekatherms. DESC Witness Elliott Direct Testimony, p. 4, ll. 1-3.

During the Review Period of July 31, 2020 through August 1, 2021, Ms. Elliott further testified that DESC implemented the PGA mechanism in compliance with

Commission Order Nos. 2006-679 and 2009-910. She also provided these results to the Commission in Hearing Exhibit No. 2 (Elliott Exhibit No. RRE-1), which shows the monthly (over)/under collections experienced by DESC in administering the PGA mechanism during the Review Period. At the beginning of the Review Period, DESC started with an under collection of $11,214,096 and at the end of the Review Period, the under-collected balance was $840,315. DESC Witness Elliott Direct Testimony, p. 5, ll. 10-14; Hearing Exhibit No. 2 (Elliott Exhibit No. RRE-1); ORS Witness Sullivan Testimony, p. 6, ll. 20-22.[4] According to Ms. Elliott, on August 31, 2021, the under collected balance was $6,076,502. DESC Witness Elliott Direct Testimony, p. 5, l. 15.

Witness Elliott further provided the Commission a summary of DESC's monthly forecast of gas cost components and the resulting monthly (over)/under collection balances. At the end of the Review Period, Ms. Elliott testified that "end of period balance of zero shows that the forecasted gas cost factors would eliminate any projected (over)/under collection amount by the end of the forecast period ending August 2022." DESC Witness Elliott Direct Testimony, p. 5, ll. 17-22; Hearing Exhibit No. 2 (Elliott Exhibit No. RRE-2).

DESC called Rose Jackson, Director – Gas Supply Services for DES, to testify regarding DESC's portfolio of gas supply to address the various gas supply and transportation options available to DESC and to discuss the state of the natural gas market during the Review Period. DESC Witness Jackson Testimony, p. 2, ll. 19 – 22. Ms.

[4] Per the testimony of ORS Witness Sullivan, ORS's examination and audit of the Company confirms that the Company's PGA under collection is $840,315 as of July 31, 2021, and as provided by DESC witness Elliott in Hearing Exhibit No. 2 (RRE-1). ORS Witness Sullivan Testimony, p. 6, l. 20-22.

Jackson stated that DESC has the following three gas supply options in its portfolio which are combined with interstate transportation so that DESC can meet its firm demand under varying weather conditions at reasonable cost: (1) wellhead gas supply, (2) underground storage, and (3) liquefied natural gas ("LNG"). DESC Witness Jackson Testimony, p. 3, ll. 4-8.

DESC purchases interstate pipeline transportation capacity on both a firm and interruptible basis from the following three (3) interstate pipelines that provide service to DESC: (1) Southern Natural Gas Company ("Southern"), (2) Transcontinental Gas Pipe Line Corporation ("Transco"), and (3) Carolina Gas Transmission, LLC ("CGT"). DESC Witness Jackson Testimony, p. 3, ll. 12-15; Hearing Exhibit No. 3 (Jackson Corrected Exhibit No. RMJ-1). Additionally, DESC has entered into a precedent agreement subscribing to 62,500 Dt per day of capacity for its natural gas operations on the Mountain Valley Pipeline ("MVP") project. DESC Witness Jackson Testimony, p. 4, ll. 12-14. This capacity will provide DESC access to the Marcellus natural gas basin in 2022, which will feed into the Southeastern Trail capacity. DESC Witness Jackson Testimony, p. 4, ll. 14-15.

Witness Jackson further testified that DESC optimizes its firm transportation capacity through "segmentation." Segmentation allows DESC to deliver up to twice as much supply on a portion of its firm capacity while paying only one demand charge. Interstate pipelines allow segmentation as long as the delivery point meter has sufficient capacity and gas supply does not cross the same delivery point. DESC Witness Jackson Testimony, p. 5, ll. 3-7. Ms. Jackson also testified that DESC has interstate storage assets available to aid the Company in providing reliable and secure gas service to its customers. DESC Witness Jackson Testimony, p. 7, ll. 9–17; Hearing Exhibit No. 3 (Jackson Corrected Exhibit No. RMJ-1).

Interstate Storage Assets Available to DESC		
Source/System	Maximum Storage Capacity	Maximum Daily Withdrawal At Peak Storage Inventory
Southern	4,908,848 Dt	99,121 Dt
Transco	593,735 Dt	19,789 Dt

Id. DESC relies primarily upon its LNG assets to fulfill the peaking needs of its system and customers which can provide a combined maximum daily withdrawal quantity of 105 Mmcf/day. DESC Witness Jackson Testimony, p. 7, ll. 5–7; Hearing Exhibit No. 3 (Jackson Exhibit No. RMJ-2). DESC's on-system LNG service significantly adds to the Company's reliability and security of gas supply during unfavorable operating conditions that may occur from time to time. Id.

Since the current three interstate pipelines that serve DESC are fully subscribed, DESC does anticipate acquiring additional interstate pipeline capacity in order to meet future design day forecasts as a result of (1) demand growth on its system for natural gas and (2) the inability to rely on segmentation between certain geographical regions, or area points, to the degree it has in the past. DESC Witness Jackson Testimony, p. 8, ll. 8-15. In addition to providing detail about the change in costs associated with its interstate pipeline assets, Ms. Jackson stated that DESC may no longer have the flexibility to rely

> on segmentation to meet design day needs between area points to the degree it has in the past due to more businesses subscribing to the CGT pipeline to serve increased firm demand on the CGT system. . . . [A]s its ability to rely on segmentation decreases, DESC will be required to look at its system growth in more detail by area points rather than on a system-wide basis in order to determine where new facilities will need to be constructed and to contract for any necessary additional firm transportation by area points.

DESC Witness Jackson Testimony, p. 9, ll.3-11.

ORS Witness Daniel F. Sullivan testified about the findings and recommendations as a result of the ORS Audit Department's examination of DESC's purchased gas adjustment and policies during the Review Period. ORS Witness Sullivan Testimony, p. 3, ll. 3-6. Mr. Sullivan testified that during the Review Period, DESC's DCOG factors and Commodity Cost of Gas factors ("CCOG") were adjusted during the months of September and November 2020, and the months of January, February, and May 2021. Id. The Company's beginning and ending DCOG and CCOG during the Review Period are listed below:

DCOG Per Therm	As of August 1, 2020	As of July 31, 2021
Residential	$0.36793	$0.37172
Small/Med. General Service	$0.20862	$0.25270
Large General Service	$0.31835	$0.42120
CCOG Per Therm	$0.24601	$0.30549

ORS Witness Sullivan Testimony, p. 3, ll.6-12; Hearing Exhibit No. 4 (DFS-1 through DFS-3).

The components which comprise the cumulative PGA (over)/under collection are:

(1) **Commodity (Over)/Under Collection** (which is the difference in DESC's actual firm commodity costs, on a monthly basis, compared to the firm commodity benchmark PGA filings during the Review Period) – the commodity (over)/under collection for the Review Period increased the under collection by $5,652,274.

(2) **Demand (Over)/Under Collection** (which is the difference in the actual demand charges incurred by the Company as compared to demand charges billed and collected from customers) – the demand (over)/under collection increased the under collection by $15,572,196.

(3) **Uncollectibles – Commodity Only**[5] – the uncollectible gas cost expense for the Review Period increased the under collection by $269,745.

(4) **Unbilled Revenue Adjustments**[6] – Unbilled revenue adjustments were applied to the demand component of the cost of gas factor. The net unbilled revenue adjustment for the Review Period decreased the under collection by $721,462.

(5) **Interest/Carrying Cost**[7] – The computed carrying costs for the Review Period decreased the under collection by $2,136.

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[5] In Order No. 2006-679, the Company was authorized to recover its uncollectible gas costs through the commodity cost of gas, beginning with the first billing cycle in November 2007. This process allows the Company to recover the correct amount of uncollectible gas cost expense that it has actually incurred.

[6] In compliance with Order No. 2009-910, the Company converted the PGA administration process from a cycle-month sales calculation basis to a calendar month sales calculation basis. This process is more effective and precise in matching calendar month gas costs with the calendar month gas sales.

[7] In accordance with Order No. 2006-679, carrying cost is computed using the rate of interest, as of the first day of each month, for 10-year U.S. Government Treasury Bills plus an all-in spread of 65 basis points, not to exceed 6% and shall not be applied to (over)/under collection balances in excess of $20 million.

ORS Witness Sullivan Testimony, p. 4, l. 1 - p. 5, l. 9.

Mr. Sullivan further testified that the audit of ORS also included verification of the gas held in interstate pipeline storage facilities, both injections and withdrawals, by month. ORS Witness Sullivan Testimony, p. 5, ll.12-14; Hearing Exhibit No. 4 (DFS-2). Witness Sullivan explained that for the Review Period,

> total storage injections were 5,824,875 dekatherms at a total cost of $16,840,782, which converts to a weighted average injection rate of $2.89 per dekatherm. Withdrawals totaled 5,992,171 dekatherms at a total cost of $14,333,459, which converts to a weighted average withdrawal rate of $2.39 per dekatherm. The total interstate pipeline storage inventory on July 31, 2021, equaled 3,809,996 dekatherms with a total cost of $11,434,349 or weighted average cost of $3.00 per dekatherm.

ORS Witness Sullivan Testimony, p. 5, l. 21 - p. 6, l. 3. The capitalized costs at both LNG facilities consist mostly of expenses associated with the liquefaction capability at the Bushy Park facility. ORS Witness Sullivan Testimony, p. 6, ll.10-12; Hearing Exhibit No. 4 (DFS-3).

Witness Sullivan testified that the LNG inventory on July 31, 2021 totaled 1,272,021 dekatherms at a total cost of $ 4,669,393 or a weighted average cost of $3.67. ORS Witness Sullivan Testimony, p. 6, ll. 11-13. Mr. Sullivan stated that ORS's examination confirms that the Company's PGA under collection of $840,315 on July 31, 2021, as provided by DESC witness Elliott in Hearing Exhibit No. 2 (RRE-1), is correct. ORS Witness Sullivan Testimony, p. 6, ll. 20-22.

ORS Witness Seaman-Huynh testified about ORS's review findings related to (1) DESC's natural gas purchasing policies for the twelve (12) month Review Period; (2)

DESC's ability to serve the firm customers during the Review Period and for the upcoming winter season; (3) DESC's recovery of its purchased gas cost in accordance with the Commission approved purchased gas adjustment ("PGA") tariff or gas cost recovery mechanism; and (4) DESC's updated calculation of the demand cost of gas ("DCOG") allocation factors. ORS Witness Seaman-Huynh Direct Testimony, p. 2, ll. 10-22.

Mr. Seaman-Huynh also testified that part of the ORS examination included a review of the Company's construction and maintenance projects and the conclusion by ORS that such projects promote safe and reliable delivery of natural gas to DESC customers. ORS Witness Seaman-Huynh Direct Testimony, p. 3, ll. 3-4. ORS did not review the new construction projects for reasonableness or cost as part of this docket. ORS Witness Seaman-Huynh Direct Testimony, p. 4, l. 1. Witness Seaman-Huynh also confirmed that the Company's capacity assets are shown in Hearing Exhibit No. 3 (RMJ-1 and RMJ-2) and that DESC's supply portfolio and the use of the various services within the portfolio are discussed in the direct testimony of Company witness Jackson. ORS Witness Seaman-Huynh Direct Testimony, p. 4, ll. 14-21.

According to Mr. Seaman-Huynh, his examination of the Company's capacity and supply asset management during the Review Period reinforces ORS's opinion "that DESC managed its capacity assets for interstate pipeline transportation, interstate pipeline storage, and its LNG facilities, as well as purchased natural gas commodity supplies[,] to meet the customers' needs and provide reliable firm service at reasonable costs. ORS Witness Seaman-Huynh Direct Testimony, p. 5, ll. 1-4. Witness Seaman-Huynh testified that the samples of the Company's gas purchases were reasonable in comparison to the prevailing market costs. ORS Witness Seaman-Huynh Direct Testimony, p. 5, ll. 9-10. ORS reviewed a sample of the Company's capacity contracts, which are long-term contracts with prices regulated by Federal Energy Regulatory Commission ("FERC") tariffs. ORS Witness Seaman-Huynh Direct Testimony, p. 5, ll. 11-13. ORS confirmed that contract samples reflected prices in line with FERC tariff levels. ORS Witness Seaman-Huynh Direct Testimony, p. 5, ll. 13-15.

ORS Witness Seaman-Huynh further testified that there were no changes to the Company's natural gas purchasing policies during the Review Period. ORS Witness Seaman-Huynh Direct Testimony, p. 5, ll. 18-19. Pursuant to Commission directive dated July 21, 2021, issued in Docket No. 2021-4-G, the Commission opened a separate docket (Docket No. 2021-236-G) to review and examine the feasibility of options to consider natural gas purchasing policies and practices related to Responsibly Sourced Gas ("RSG"), as well as any financial impact on customers and costs. ORS Witness Seaman-Huynh Direct Testimony, p. 5, l. 20-p. 6, l. 1. In response to ORS's discovery regarding DESC's current RSG purchasing policies, the Company indicated that it does not have a requirement to purchase RSG and any changes to purchasing policies regarding RSG will be discussed in Docket No. 2021-236-G. ORS Witness Seaman-Huynh Direct Testimony, p. 6, l. 1-4.

Mr. Seaman-Huynh stated that there were eight (8) instances of system-wide gas interruptions during the Review Period that involved commercial and/or industrial class customers. ORS Witness Seaman-Huynh Direct Testimony, p. 6, ll. 7 -10. Mr. Seaman-Huynh testified that the Company's system-wide reserve was as follows for the past five

(5) years and confirmed that the Company projects an decrease in reserves to a 5.14% capacity margin for the 2021-2022 winter season:

Reserve Margin	Winter Season
5.49%	2016-2017
2.81%	2017-2018
4.11%	2018-2019
3.71%	2019-2020
5.67%	2020-2021

ORS Witness Seaman-Huynh Direct Testimony, p. 8, ll. 5-8; Hearing Exhibit No. 3 (RMJ-2). Witness Seaman-Huynh opined that, based upon ORS's review, DESC's current distribution system ensures that the Company can deliver gas to all service areas, and that DESC has a capacity and supply asset portfolio to sufficiently and reliably meet the 2021-2022 winter season's projected firm customers' requirements. ORS Witness Seaman-Huynh Direct Testimony, p. 7, l. 20 - p. 8, l. 3. While ORS did not have any issue with the Company's reserve capacity margin to provide reliable service on peak days, Mr. Seaman-Huynh testified that:

> ORS is concerned that steady residential customer growth in DESC service territory and the increased reliance on natural gas for electric generation could impact capacity reserves and cause service reliability issues on peak demand days. In addition, as identified by Company witness Jackson on page 9 of her direct testimony, the Company is unable to continue to rely on segmentation to meet its design day customer needs. Going forward, system growth will be reviewed by the Company based on specific area points versus system-

> wide, which could identify service regions within the system with a much lower reserve capacity margin.

ORS Witness Seaman-Huynh Direct Testimony, p. 8, l. 12 - p. 9, l. 3. He also added that ORS plans to continue monitoring DESC's ability to serve both its firm and interruptible customers in the upcoming winter seasons. ORS Witness Seaman-Huynh Direct Testimony, p. 9, ll. 5-6.

Lastly, Witness Seaman-Huynh testified that DESC filed monthly notifications with the Commission and ORS for each of the twelve (12) months, five (5) of which included changes in its PGA factor. He further added that ORS does review these monthly filings by the Company regardless of whether there is a change in the cost of gas. ORS's review includes a check of whether the combined cost of gas meets the Material Difference threshold of $0.04 per therm, and if so, to determine whether the Company correctly administered and recovered its gas costs by implementing new cost of gas factors as required to recover the Company's current over or under collection beginning the following month. ORS Witness Seaman-Huynh Direct Testimony, p. 10, ll. 5 – p. 11, l. 18. Witness Seaman-Huynh testified that it was the opinion of ORS, based upon its review, that "DESC administered and recovered its gas costs during the Review Period in a manner consistent with the Company's current Commission-approved PGA tariff and Commission Orders." ORS Witness Seaman-Huynh Direct Testimony, p. 11, ll. 19-21.

Mr. Seaman-Huynh stated that ORS agrees with the Company's proposed DCOG allocation factors as updated for the current forecast and its implementation effective on the first billing cycle in January 2022. ORS Witness Seaman-Huynh Direct Testimony, p. 12, ll. 1-12. Additionally, Witness Seaman-Huynh stated that the Company's DCOG factors were developed to proportionally allocate demand costs between customer classes based upon the impact on demand requirements for DESC's natural gas distribution system. Id. Mr. Seaman-Huynh affirmed that DESC's calculations of these proposed DCOG factors were verified by ORS. Id.

The Stipulation

On October 25, 2021, DESC and ORS entered into a Stipulation which set the gas recovery factors for DESC, and the parties agreed to the calculations of the purchased gas adjustment (over)/under collections for the Review Period as explained by DESC Witness Elliott. Hearing Exhibit No. 2 (RRE-1); Stipulation. The Parties further agreed:

- to continue the existing monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 as modified by Commission Order No. 2009-910. Stipulation, p. 3, ¶3.
- that demand charges included in the total cost of gas factor will continue to be calculated as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G by distributing the costs among the rate schedules based upon a "50-50" allocation of peak design day demand and annual forecast sales. Stipulation, p. 3, ¶4.
- the allocation factors as outlined on page 7 of this Order and as explained by DESC Witness Elliott are appropriate and will be used for the demand cost of gas calculations beginning with the first billing cycle of January 2022. Stipulation, p. 3, ¶4.

- DESC shall continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under-collection balances in the same method and with the same limitations as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G. Stipulation, p. 3, ¶5.

We accept the use of the cost of gas calculations for the Review Period, as set forth in Stipulation Exhibit No. 1, which is attached hereto as a part of Order Exhibit No. 1.

The Commission further approves the authority of DESC to continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under-collection balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006- 5-G, Order No. 2006-679, for the same reasons set forth in that Order.[8] Pursuant to that Order and in the event of an over-collection balance, the carrying costs must be credited to the customers.

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Stipulation, and based on this evidence, the Commission finds and concludes that adoption of the Stipulation is in the best interest of DESC's customers and the State of South Carolina, and therefore finds that the Stipulation is a reasonable resolution of the issues in this proceeding.

[8] Docket No. 2006-5-G, Order No. 2006-679 (November 13, 2006).

In making this finding and all other findings and conclusions of law stated above in this Order, the Commission specifically finds (that based upon the testimony, exhibits, Stipulation, and evidence) and concludes as follows that during the Review Period[9] DESC:

(a) administered the purchased gas adjustment and adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910;

(b) employed gas purchasing practices and policies consistent with Commission orders and South Carolina laws, rules, and regulations;

(c) administered the PGA and recovered its gas costs consistent with applicable tariffs and Commission orders; and

(d) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds and concludes that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679, as modified in Docket No. 2009-5-G, Order No. 2009-910, included in the total cost of gas factors shall continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

The Commission also finds and concludes that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent.

[9] The period under review in this docket is August 1, 2020, through July 31, 2021.

VI. ORDERING PROVISIONS

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Stipulation, which was agreed to by the Parties and accepted into the record without objection, is incorporated into and made a part of this Order as Order Exhibit No. 1. Further, the Stipulation constitutes a reasonable resolution of the issues addressed therein and is hereby adopted as such.

2. During the Review Period, DESC properly administered the purchased gas adjustment. DESC also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order Nos. 2006-679 and 2009-910, which factors are hereby approved.

3. DESC's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders.

4. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

5. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

6. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

7. The allocation factors contained on page 7 of this Order and as explained by DESC Witness Rachel R. Elliott's Direct Testimony are appropriate and shall be used for cost of gas calculations beginning with the first billing cycle of January 2022.

8. DESC shall continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under collection balances in the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679. In the event of an over-collection balance, carrying costs shall be credited to customers.

9. The actual balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA (over)/under collection calculation, and the Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall continue to be applied to the demand component of the cost of gas factor.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Justin T. Williams Chairman
Public Service Commission of
South Carolina

Order Exhibit No. 1

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2021-5-G

October 25, 2021

IN RE: Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Dominion Energy South Carolina, Incorporated (For Potential Increase of Decrease in Fuel Adjustment or Gas Adjustment)	**STIPULATION**

This Stipulation is made by and between the South Carolina Office of Regulatory Staff ("ORS") and Dominion Energy South Carolina, Incorporated ("DESC" or the "Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, on June 23, 2021, the Public Service Commission of South Carolina ("Commission") issued a Notice of Hearing and Pre-file Testimony Deadlines for the 2021 Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies ("PGA") of DESC (For Potential Increase or Decrease in Fuel Adjustment or Gas Adjustment);

WHEREAS, the purpose of this proceeding is to review matters related to DESC's gas purchasing practices and policies, administration of its purchased gas adjustment and the recovery of its gas costs;

WHEREAS, the period under review in this docket is August 1, 2020, through July 31, 2021 ("Review Period");

Order Exhibit No. 1

WHEREAS, ORS examined the books and records of DESC and conducted inquiries and analyses related to the Company's gas purchasing practices and policies, administration of its purchased gas adjustment, and the recovery of its gas costs for the Review Period;

WHEREAS, ORS determined that, during the Review Period, DESC: a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Commission Order No. 2006-679 as modified by Commission Order No. 2009-910; b) employed prudent gas purchasing practices and policies; c) recovered its gas costs consistent with applicable tariffs and Commission orders; and d) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans; and

WHEREFORE, the Parties have engaged in discussions and in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. The Parties agree to stipulate into the record before the Commission this Stipulation. The Parties further agree to stipulate into the record without cross-examination the pre-filed direct testimony and exhibits of Company Witnesses Rose M. Jackson and Rachel R. Elliott and ORS Witness Daniel F. Sullivan, as well as the pre-filed direct testimony of Company Witness Greg B. McGlohorn and ORS Witness Michael L. Seaman-Huynh. Furthermore, each witness will take the stand to present his or her testimony and, if necessary, make non-material changes to their testimony comparable to those that would be presented via an errata sheet or through a witness noting a correction. The Parties reserve the right to engage in the redirect examination of their witnesses as necessary to respond to any issue raised during the examination of their witnesses by the Commission. With respect to this Stipulation, Company Witness Jackson

is the witness designated to be primarily responsible for providing support for the Stipulation at the hearing scheduled in this case.

2. For the purpose of setting the gas cost recovery factors, the Parties accept the calculations of the purchased gas adjustment (over)/under collections for the Review Period, set forth in Stipulation Exhibit No. 1 attached hereto (Exhibit No. ___ (RRE-1)).

3. The Parties agree to maintain the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Commission Order No. 2006-679 as modified by Commission Order No. 2009-910.

4. The Parties acknowledge the demand charges included in the total cost of gas factor will continue to be calculated as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. The Parties agree that the allocation factors contained on page 4 in Company Witness Elliott's pre-filed direct testimony (Residential 67.49%; Small General Service/Medium General Service 27.79%; and Large General Service 4.72%) are appropriate and should be used for the demand cost of gas calculations beginning with the first billing cycle of January 2022.

5. As part of this Stipulation, the Parties agree that DESC shall continue to charge and recover carrying costs, if applicable, on the cumulative total (over-)/under-collection balances in the same method and with the same limitations as set forth in Commission Order No. 2006-679 in Docket No. 2006-5-G.

6. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B). S.C. Code Ann. § 58-4-10(B) reads in part as follows:

> For purposes of this chapter only, "public interest" means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

ORS believes this Stipulation reached among the Parties serves the public interest as defined above.

7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Stipulation be accepted and approved by the Commission as a fair, reasonable, and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts before any reviewing court in the event of appeal to defend and support any Commission order issued approving this Stipulation and the terms and conditions contained herein; however, ORS shall not utilize social media to defend a Commission order.

8. The Parties agree that signing this Stipulation, (a) will not constrain, inhibit, impair, or prejudice their arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery, or rates of return that any Party may seek or advocate in any future proceeding. The Parties agree that this Stipulation is in the public interest when considered as a whole. If the Commission declines to approve this Stipulation in its entirety, then any Party may withdraw from the Stipulation without penalty or obligation.

9. This Stipulation shall be interpreted according to South Carolina law.

10. The Parties represent that the terms of this Stipulation are based upon full and accurate information known as of the date this Stipulation is executed. If, after execution, but prior to a Commission decision on the merits of this proceeding, a Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this

Order Exhibit No. 1

Stipulation is based, that Party may withdraw from the Stipulation with written notice to every other Party.

11. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Stipulation by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation. The Parties agree that in the event any Party should fail to indicate its consent to this Stipulation and the terms contained herein, then this Stipulation shall be null and void and will not be binding on any Party.

[SIGNATURES ON THE FOLLOWING PAGES]

Order Exhibit No. 1

WE AGREE:

Representing South Carolina Office of Regulatory Staff

Alexander W. Knowles

Andrew M. Bateman, Esquire
Alexander W. Knowles, Esquire
Nicole M. Hair, Esquire
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Order Exhibit No. 1

WE AGREE:

Representing Dominion Energy South Carolina, Inc.

Matthew W Gissendanner

K. Chad Burgess, Esquire
Matthew W. Gissendanner, Esquire
Dominion Energy South Carolina, Inc.
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Order Exhibit No. 1

Stipulation Exhibit No. 1

Exhibit No.___(RRE-1)

DOMINION ENERGY SOUTH CAROLINA, INC.
PURCHASED GAS ADJUSTMENT
ACTUAL (OVER)/UNDER COLLECTION

	COMM. COST PER THERM (COL. 1)	BILLING COMM. COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	FIRM SALES THERMS (COL. 4)	COMMODITY (OVER)UNDER COLLECTION (COL. 5) (3x4)	DEMAND (OVER)UNDER COLLECTION (COL. 6)	TOTAL (OVER)UNDER COLLECTION (COL. 7) (5+6)	CUMULATIVE (OVER)UNDER COLLECTION (COL. 8)
							BEGINNING BALANCE	$11,214,096
AUG 20	$0.21648	$0.24601	($0.02953)	7,769,577	($206,977)	$2,976,385	$2,769,409	$13,983,505
SEP 20	$0.26342	$0.26101	$0.00241	8,291,286	$9,844	$1,187,087	$1,196,931	$15,180,436
OCT 20	$0.23095	$0.26101	($0.03006)	9,704,062	($371,308)	$889,201	$517,893	$15,698,329
NOV 20	$0.57739	$0.29074	$0.28665	10,714,694	$3,206,553	($4,598,176)	($1,391,623)	$14,306,706
DEC 20	$0.52609	$0.29074	$0.23535	26,283,629	$5,439,032	($19,001,508)	($13,562,476)	$744,229
JAN 21	$0.36664	$0.27929	$0.08735	41,183,588	$1,848,930	($11,019,946)	($9,171,016)	($8,426,787)
FEB 21	$0.36237	$0.28476	$0.07761	39,972,700	$1,500,826	($2,302,238)	($801,411)	($9,228,199)
MAR 21	$0.26703	$0.28476	($0.01773)	30,849,141	($2,427,321)	$2,069,568	($357,753)	($9,585,952)
APR 21	$0.25626	$0.28476	($0.02850)	16,279,768	($1,414,618)	$2,658,069	$1,243,451	($8,342,500)
MAY 21	$0.23011	$0.30549	($0.07538)	10,792,060	($1,337,105)	$4,503,093	$3,165,988	($5,176,512)
JUN 21	$0.33705	$0.30549	$0.03156	8,921,809	$723,751	$2,943,294	$3,667,045	($1,509,467)
JUL 21	$0.26204	$0.30549	($0.04345)	9,184,476	($1,068,546)	$3,418,328	$2,349,783	$840,315